

State of South Carolina



Office of the State Auditor

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COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

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November 19, 2001

Mr. Francis M. Feltham, President
Fane Management
1200 Talisman Drive
Post Office Box 6277
North Augusta, South Carolina 29841

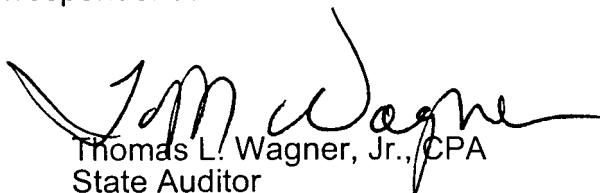
Re: AC# 3-HAR-J9 – Feltham Management Company, Inc.
d/b/a Harvey's Nursing Home

Dear Mr. Feltham:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**FELTHAM MANAGEMENT COMPANY, INC
D/B/A HARVEY'S NURSING HOME**

SIX MILE, SOUTH CAROLINA

**CONTRACT PERIOD
BEGINNING OCTOBER 1, 2000
AC# 3-HAR-J9**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 2, 2001

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Feltham Management Company, Inc. d/b/a Harvey's Nursing Home, for the contract period beginning October 1, 2000 and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

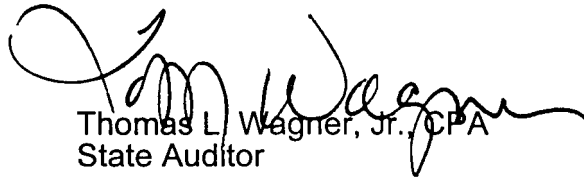
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Feltham Management Company, Inc. d/b/a Harvey's Nursing Home, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Feltham Management Company, Inc. d/b/a Harvey's Nursing Home dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
February 2, 2001

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA
State Auditor

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
Computation of Rate Change
For the Contract Period
Beginning October 1, 2000
AC# 3-HAR-J9

Interim reimbursement rate (1)	\$110.10
Adjusted reimbursement rate	<u>107.84</u>
Decrease in reimbursement rate	\$ <u><u>2.26</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
 Computation of Adjusted Reimbursement Rate
 For the Contract Period Beginning October 1, 2000
 AC# 3-HAR-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.50	\$55.81	
Dietary		12.80	11.39	
Laundry/Housekeeping/Maint.		<u>10.41</u>	<u>8.99</u>	
Subtotal	\$ <u>3.48</u>	72.71	76.19	\$ 72.71
Administration & Med. Rec.	\$ <u>.16</u>	<u>13.29</u>	<u>13.45</u>	<u>13.29</u>
Subtotal		86.00	<u>\$89.64</u>	86.00
<u>Costs Not Subject to Standards:</u>				
Utilities		1.63		1.63
Special Services		.70		.70
Medical Supplies & Oxygen		5.62		5.62
Taxes and Insurance		1.07		1.07
Legal Fees		<u>.02</u>		<u>.02</u>
TOTAL		<u>\$95.04</u>		95.04
Inflation Factor (3.20%)				3.04
Cost of Capital				10.04
Cost of Capital Limitation				(4.72)
Profit Incentive (Max. 3.5% of Allowable Cost)				.16
Cost Incentive				3.48
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.89)
Nurse Aide Staffing Add-On 10/01/00				1.89
Nurse Aide Staffing Add-On 10/01/99				<u>.80</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$107.84</u>

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-HAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as Adjusted by DH&HS	Adjustments		Adjusted Totals
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 757,417	\$ -	\$ 892 (3)	\$ 756,525
Dietary	195,623	-	-	195,623
Laundry	1,707	-	-	1,707
Housekeeping	95,801	-	-	95,801
Maintenance	61,583	-	-	61,583
Administration & Medical Records	210,420	-	7,283 (2)	203,137
Utilities	24,978	-	-	24,978
Special Services	38,471	-	27,786 (1)	10,685
Medical Supplies & Oxygen	87,533	-	1,653 (1)	85,880
Taxes and Insurance	16,310	-	-	16,310
Legal Fees	375	-	-	375
Cost of Capital	81,917	861 (4) <u>72,498 (6)</u>	1,337 (3) <u>482 (5)</u>	153,457
Subtotal	1,572,135	73,359	39,433	1,606,061
Ancillary	17,944	-	-	17,944

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1999
 AC# 3-HAR-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Non-Allowable	289,956	29,439 (1) 7,283 (2) <u>482 (5)</u>	861 (4) 72,498 (6) <u> </u>	253,801 <u> </u>
Total Operating Expenses	\$ <u>1,880,035</u>	\$ <u>110,563</u>	\$ <u>112,792</u>	\$ <u>1,877,806</u>
Total Patient Days	<u>15,283</u>	<u>-</u>	<u>-</u>	<u>15,283</u>
Total Beds	<u>44</u>			

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-HAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable	\$29,439	
	Medical Supplies		\$ 1,653
	Special Services		27,786
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
2	Nonallowable	7,283	
	Administration		7,283
	To adjust home office allocation State Plan, Attachment 4.19D		
3	Accumulated Depreciation	15,251	
	Cost of Capital		1,337
	Restorative		892
	Other Equity		13,022
	To adjust fixed assets and related depreciation State Plan, Attachment 4.19D		
4	Cost of Capital	861	
	Nonallowable		861
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
5	Nonallowable	482	
	Cost of Capital		482
	To adjust amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-HAR-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Cost of Capital Nonallowable	72,498	72,498
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$125,814</u>	<u>\$125,814</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

FELTHAM MANAGEMENT COMPANY, INC
D/B/A HARVEY'S NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-HAR-J9

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>38</u>	<u>6</u>	
Deemed Asset Value	1,374,270	216,990	
Improvements Since 1981	452,971	-	
Accumulated Depreciation at 9/30/99	<u>(193,794)</u>	<u>(8,864)</u>	
Deemed Depreciated Value	1,633,447	208,126	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	98,007	12,488	
Number of Days in Period	<u>365/365</u>	<u>330/365</u>	
Adjusted Annual Return	98,007	11,291	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	98,007	11,291	
Depreciation Expense	35,611	8,968	
Amortization Expense	1	554	
Capital Related Income Offsets	(842)	(133)	
Allocation of Capital Expense to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	132,777	20,680	\$153,457
Total Patient Days (Minimum 96% Occupancy)	<u>13,382</u>	<u>1,901</u>	<u>15,283</u>
Cost of Capital Per Diem	\$ <u>9.92</u>	\$ <u>10.88</u>	\$ <u>10.04</u>

FELTHAM MANAGEMENT COMPANY, INC.
D/B/A HARVEY'S NURSING HOME
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 AC# 3-HAR-J9

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>4.53</u>	\$ <u>10.88</u>
Reimbursable Cost of Capital Per Diem		\$ 5.32
Cost of Capital Per Diem		\$ <u>10.04</u>
Cost of Capital Per Diem Limitation		\$ <u>(4.72)</u>

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